

VZCZCXRO1050
PP RUEHAG RUEHROV
DE RUEHKB #0947/01 2821027
ZNY CCCCC ZZH
P 081027Z OCT 08
FM AMEMBASSY BAKU
TO RUEHC/SECSTATE WASHDC PRIORITY 0123
INFO RUCNCIS/CIS COLLECTIVE
RUCNMEM/EU MEMBER STATES
RHMFISS/CDR USEUCOM VAHINGEN GE
RUEAIIA/CIA WASHINGTON DC
RHEBAAA/DEPT OF ENERGY WASHDC
RUEKDIA/DIA WASHDC
RUEKJCS/JOINT STAFF WASHDC
RHEHNSC/NSC WASHDC
RHEHAAA/WHITE HOUSE WASHDC

Wednesday, 08 October 2008, 10:27

C O N F I D E N T I A L SECTION 01 OF 03 BAKU 000947

SIPDIS
EO 12958 DECL: 09/06/2018
TAGS PGOV, PREL, AJ, ENRG, TU
SUBJECT: AZERBAIJAN SEEKS TO DEVELOP ACG DEEP GAS, CAN
SUPPLY GEORGIA WITH WINTER GAS
REF: A. A) BAKU 919 B. B) BAKU 897 C. C) BAKU 883
Classified By: Ambassador Anne E. Derse, Reasons 1.4 (b,d)
11. (C) SUMMARY: BP Azerbaijan President Bill Schrader told USG interlocutors that there will be "plenty of gas" for Azerbaijan to sell to Georgia.
12. (C) On September 29 BP Azerbaijan President Bill Schrader met with Ambassador Derse and UK Ambassador Browne, to brief them on ongoing production of "PLENTY OF GAS" FOR GEORGIA.
13. (C) Schrader said that given BP's ongoing oil production problems at the Central Azeri platform (refs A-C), BP would not technically be able to produce SD2 = 16 BCM/A.
14. (C) Schrader said that currently Shah Deniz (SD) production was doing quite well, with four wells operating and a fifth due to start in January. Georgia is INTERESTED IN ACG DEEP GAS.
15. (C) Schrader said that post-Georgia crisis, SOCAR has clearly seen the benefits of its association with IOCs and as such has sought to "facilitate" ACG AS SUBSTITUTION FOR SD2?
developing this field with the AIOC Consortium by the end of 2008. (COMMENT: Take together, this additional production projections for Shah Deniz AS SUBSTITUTION FOR SD2?
16. Schrader characterized Turkish intransigence on SD2 gas transit as the major barrier to expeditious SD2 development. He said that should there be SD1 ARBITRATION.
17. (C) Schrader said that negotiations with Botas for the post-April 1, 2008 price of SD1 gas are still at a dead-end, with Botas offering a price for ACG OIL PRODUCTION PROBLEMS.
18. (C) Schrader said that the September 17th shutdown of the Central Azeri (CA) platform, in which the "red button" was pressed after detecting a gas leak, but BP is continuing to methodically investigate possible SD2 GAS PIPELINE OPTIONS.
111. (C) BP Azerbaijan Gas Marketing Manager Richard Ruddiman said that both the TGI and TAP pipeline projects each needed approximately seven years of firm commitments of at least eight bcm/a and relatively firm commitments for a total of 18 bcm/a before construction could begin. Given such a need for firm commitments.
112. (C) Schrader said the Western Route oil pipeline through Georgia to the Black Sea (Baku-Supsa) was ready to resume operations and would be able to supply TURKMEN PETROCHEMICALS.
113. (C) Schrader and Ruddiman said that developing gas-intensive petrochemical industries in Azerbaijan and Turkmenistan probably doesn't make sense.
114. (C) COMMENT: The silver lining to ACG's ongoing oil production problems is that it seems to have solved Georgia's winter gas woes, given that it has "plenty of gas".
115. (U) DepSec staff, DAS Bryza, have cleared this cable. DERSE